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It's always good to be back with the Yankee Group. You know, this is the first Yankee presentation where I haven't had to compete with lunch and the vaulted ceiling of the atrium room upstairs ... for that I'm grateful.

Now I just have to compete with a symphony of ringtones...plus text messaging and e-mailing -- for which I'm also grateful, as long as it's on our network!

Seriously, I appreciate this invitation to lead into what promises to be a hard-hitting, thought-provoking agenda. I'd like to spend the next 20 minutes or so hopefully setting the stage for all of the issues you'll discuss over these two days.

I've been asked to share my insights on the ***next phase of US Wireless Growth***.

One thing I am certain of -- and that is that there will be growth.

For some time, there's been a lot of gloom-sayers on the outskirts of our industry. Contrary to what some industry followers would have you believe, I think 2002 was a good year for wireless. Hugely competitive, no question. And better for some than for others. But a good year for the industry.

And so far in 2003 – from what we’ve seen reported – the momentum continues. To paraphrase Mark Twain, “Rumors of this industry’s demise have been greatly exaggerated.”

Consider these *facts*:

- At 50 percent penetration of the US population, we’ve come a long way in a short time in this industry. We shouldn’t minimize that historical fact. It is good news that the glass is half full in a country that already has superb landline phone and internet access.
- The other good news, of course, is that the glass is half empty.
- Subscriber growth rates may be slowing, but we are growing. Revenue growth, too, may be slowing, but it is still growing.
- And there’s new revenue potential on the horizon, as the trend of wireline substitution continues...
- And as our wireless network infrastructure transforms to its next generation, delivering higher speeds, and richer incremental functionality.
- And look at EBITDA growth...this industry’s results from operations reflect a rise of more than 30% in 2002 --- and even after capital expenditures, the six nationwide wireless service providers, as a group, generated positive cash flow.

All of these *facts* point with some certainty to growth ahead.

Of course, the burning issue on the growth curve is *how much* and *how soon*.

And since you are in the business of forecasting industry growth --- and I’m not -- I’m quite happy to leave the quantification to you.

But I do have a few strong opinions on what I believe will drive the ***how much*** and ***how soon***:

First, I want to start off by reading an excerpt:

Quote: “The greatest challenge for the wireless industry today is first to make our core product – mobility -- more valuable to the customer in terms of **simplicity**...we must make our features **rich in simplicity**.”

Any guess as to the source?

It was me, here -- at the Yankee group, in 1997. The context was the early days of wireless digital and data -- you remember, when even wireless voice mail was a hassle.

While simplifying isn't a new message from me -- it is new in the context and urgency of the next phase of wireless growth.

Back then, I was referring to simplifying features. Today, I'm talking about simplifying the entire customer experience.

Very simply, ***simplifying*** the customer experience is critical to the next phase of US wireless growth.

Why? In two words: ***penetration*** and ***churn***.

The risk of not simplifying the customer experience -- as we enter the next phase of growth—could negatively impact our momentum beyond today's 50% penetration levels and the vexing churn phenomenon that bewitches our industry.

I liken this to the drivers of our success to date:

- In our first 10 years: penetration and customer satisfaction were propelled by increasingly lighter handset weights, portability, and plummeting

costs. Think of where we would be if wireless phones still weighed 10 pounds and cost \$3,000.

- Success in our second decade was driven by great leaps in connecting the dots for seamless coverage, as well as clearer call quality, mass market pricing, miniaturization and wonderful functionality.
- Today, with our technical capabilities becoming more complex, what customers -- corporate and consumer alike -- really need is a simplified customer experience, end-to-end.

How do we get there?

First, we need to guard against commoditizing our valuable service based on the *lowest common denominator* among us.

If I'm frustrated by any single issue, it is that despite wide differences among carriers, the industry is generally portrayed with a broad brush – a brush that often highlights the *lowest common denominator* of the customer experience.

You know what I'm talking about -- vague assertions that:

- the wireless industry has poor service ...
- the wireless industry has poor coverage...
- the wireless industry has confusing prices...
- the wireless industry can't do data....
- the list goes on.

Such broad-brushing is no more valid in our industry than saying that the electronics industry has poor sound quality...or, the restaurant industry gives poor service.

Yet, the truth is, a relatively few bad customer experiences or a minority of carriers-- can pollute the waters for all and threaten our industry's growth .

And not just carriers -- all of us in the supply chain, which is everyone on this agenda -- from handsets manufacturers ...to network and IT infrastructure vendors... to applications developers. We need to go on the offense – ensure that our particular piece of the customer experience is made easy.

This will ensure our growth -- as we attract new comers to the category, and as current customers want to use our service more ... and use more of our services.

Second observation: We need to ***differentiate***.

I sometimes think we view this wild world of wireless as unique in the annals of business history.

We're not.

All businesses face an uncertain economy, fierce competition and demanding shareholders. All businesses have the conflicting demands and priorities of growing customers, defending bottom lines, and conserving cash. It's a fact of competitive business life.

To greater -- or lesser – degrees, businesses manage to these demands. That's what differentiates us and makes us competitive.

Clearly, the wireless industry has built a thriving competitive arena.

For all the talk about industry consolidation and shake-out, I maintain that a shake-out already has occurred. You see it in the widely differing results, products, and service levels. This differentiation feeds and grows the competitive environment.

Let's face it:

- If one carrier had not built a push-to-talk service, the market wouldn't see competitive offerings emerging.
- If one carrier hadn't bundled prices, you wouldn't have seen more and more competitive pricing.
- If one manufacturer hadn't increased battery life, there would have been no need for other manufacturers to deliver even longer talk times for their products.

Simplifying the total customer experience -- and how innovative we are at accomplishing this -- can be a *significant competitive advantage* in the next phase of industry growth.

Third observation: to accomplish the above, requires being not only the *architect* of simplicity, but the *general contractor* as well.

Because the customer experience is the sum of every function in our business, we need to make sure this philosophy is built into everything we do — not just the obvious disciplines of marketing or handset design.

Obviously, as technology and functionality become richer, and more and more complex, our challenge is to make them inversely easy-to-use.

Equally important, as our wireless businesses become bigger and more sophisticated, the challenge is to make us easier to do business with.

Easier said than done, as we all know. But we have some great and recent examples.

The meteoric rise of *text messaging* in the US is a great example of simplifying the customer experience. Industrywide, we made text messaging user-friendly, fast,

inexpensive and easily provisioned. We even went one step further, delivering intercarrier operability which, granted, was complex behind the scenes -- but transparent to the customer.

And text messaging took off -- almost overnight, with some millions of messages a day and growing.

MMS –multimedia messaging service -- is another make- it- or- break- it example of simplifying the customers experience. We can either turn the customer off or get them hooked on the value of this new functionality.

And the attention to clearer and full customer *disclosure* by some service providers over the last several years has simplified our customers' understanding of our service.

As an industry, we have a golden opportunity looming.

Local Number Portability is an important -- very visible -- opportunity for this industry to make porting numbers easy – not a burden – for the consumer.

As an industry leader, I'm concerned that we meet not only the letter – but the spirit -- of the LNP requirement ... and get this right for the consumer -- or risk justifiable backlash from current and potential customers.

We can start by this industry taking a leadership role in creating a universal process for all wireless carriers. Otherwise, it won't benefit all customers equally.

Yes, implementing wireless LNP is complicated -- and yes, it's doable. We've achieved complicated missions in this industry before.

If LNP is something our customers want, it is critical that the process for them is easy, automatic and quick at the customer's request – both for customers bringing a

phone number to us...and yes, for customers leaving us with their phone number. There must be no barriers to easily switching service providers.

Our plan at Verizon Wireless is to treat porting customers the same way we treat **any** customer today. No change. Whether they are joining us with a number, or leaving us with their number after November 24. No change from today.

- This means, for example, that we intend to transfer a customer's telephone number to a new carrier whenever requested, and we won't block the transfer as a means to force the customer to pay the last bill.

If a customer wants to leave us they will, of course, be liable for any unpaid balance or early termination fee that applies, and -- as we do today -- the fee will appear on their "final" bill which they receive after moving to another carrier.
- We intend to activate customers coming from other carriers in the same time frame we use today. No standing around the store for hours, or waiting days for your new phone to work.
- We will not recover costs in advance of LNP taking effect. The substantial costs we have incurred so far in planning for and implementing LNP processes, have been included in our general cost of doing business.
- We will not charge any "special fees" for customers who want to take their numbers with them.

- We will, after November, evaluate what our ongoing LNP costs actually are and how we will recoup our costs. And, I don't believe our costs will be much more than 10 to 15-cents per-customer, per-month going forward.

I encourage all service providers to adopt our straightforward plan for consumer-friendly porting, and for the FCC to give its stamp of approval immediately. It can only work well if all service providers agree to implement wireless LNP without artificial barriers.

It is imperative that all processes be identical, operationally tested and fully functional before November 24. Each service provider has the obligation to ensure it is ready to go and in compliance by that date.

Let's -- as an industry -- stop moaning and groaning about it. Our government has spoken, our customers tell us they want it. Let's clear the decks and get it done.

As you go through the conference over next two days, I ask you to think about the customer in the context of the issue or subject being discussed.

And then think about what's in it for the customer in terms of making their overall experience, simpler, easier to use, easier to understand, easier to do business with.

Have a great conference.